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Check with Mike: - Do we need to email documents to Cathy Mansur for her review?
- Is her email address still - cmansur@mckcpa.com?
- What message do we need to send with the documents to be reviewed?

Make draft PDF copies of the following and attach each section to a separate email

- Financial statements (split into 3 sections)
- Management letter
- Disclosure checklist (split into 2 sections)
- Trial balance and adjusting journal entries (split into 2 sections)

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

FINANCIAL STATEMENTS
Years Ended December 31, 2010 and 2009

AND
INDEPENDENT AUDITOR'S REPORT

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009

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April 11, 2011

Board of Directors
Southern Illinois Healthcare
Foundation, Inc.
St. Clair County, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Southern Illinois Healthcare Foundation, Inc., Federally Qualified Health Center (FQHC) (a nonprofit organization), as of December 31, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Southern Illinois Healthcare Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements exclude Touchette Regional Hospital, the controlled affiliate of Southern Illinois Healthcare Foundation, Inc. that, in our opinion, should be included in order to conform with U. S. generally accepted accounting principles. The effect of not including the controlled affiliate is not reasonably determinable.

In our opinion, except for the effect of not including the controlled affiliate of Southern Illinois Healthcare Foundation, Inc., the financial statements referred to above present fairly, in all material respects, the financial position of Southern Illinois Healthcare Foundation, Inc., FQHC, as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U. S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2011, on our consideration of Southern Illinois Healthcare Foundation, Inc., FQHC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Southern Illinois Healthcare Foundation, Inc., FQHC taken as a whole. The summary of grants is presented for purposes of additional analysis and is not a required part of the financial statements of Southern Illinois Healthcare Foundation, Inc., FQHC. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional

procedures in accordance with U. S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Allison Krapp + Siekmann, Ltd.

	ASSETS	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,330,868	\$ 4,012,433
Accounts receivable		
Patients	\$ 7,284,292	\$ 6,680,923
Grants	1,105,510	638,504
Other	94,647	276,081
Less allowance for doubtful accounts	<u>(2,215,507)</u>	<u>(2,719,821)</u>
Total accounts receivable	6,268,942	4,875,687
Accrued interest	1,121	964
Security deposit	1,000	1,000
Employee advance receivable	368	-
Prepaid expenses	95,099	117,664
Unexpired insurance	<u>44,586</u>	<u>35,529</u>
Total current assets	10,741,984	9,043,277
PROPERTY AND EQUIPMENT		
Land	206,155	200,155
Building	6,914,375	6,846,278
Furniture and equipment	2,935,977	2,801,114
Operating equipment	1,316,917	1,282,746
Vehicles	185,055	185,055
Construction in progress	<u>2,149,214</u>	<u>26,775</u>
	13,707,693	11,342,123
Less accumulated depreciation	<u>(6,798,933)</u>	<u>(6,160,700)</u>
Total property and equipment	6,908,760	5,181,423
INTANGIBLE ASSETS		
Medical practice	<u>168,065</u>	<u>168,065</u>
TOTAL ASSETS	<u>\$ 17,818,809</u>	<u>\$ 14,392,765</u>

The accompanying notes are an integral part of these financial statements.

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts payable	\$ 1,877,069	\$ 1,092,624
Accrued payroll	585,340	459,932
Loans payable - current portion	159,496	862,904
Notes payable - current	65,237	60,869
Line-of-credit payable - current portion	2,000,000	-
Compensated absences payable	1,338,514	1,142,286
Deferred grant revenue	253,908	236,955
Deposits held	308,000	156,000
Total current liabilities	\$ 6,587,564	\$ 4,011,570
LONG-TERM LIABILITIES		
Loans payable - net of current portion	1,807,365	1,246,408
Notes payable - net of current portion	64,982	130,332
Total long-term liabilities	1,872,347	1,376,740
Total liabilities	8,459,911	5,388,310
NET ASSETS		
Unrestricted	9,358,898	9,004,455
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,818,809</u>	<u>\$ 14,392,765</u>

EXHIBIT B

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2010 and 2009

	2010	2009
UNRESTRICTED NET ASSETS		
Support		
Federal Funds		
Section 330 Grant	\$ 9,715,790	\$ 9,299,123
Healthy Start Grant	855,581	1,001,081
Title III - Early Intervention Grant	557,743	634,849
Increase Services to Health Centers	589,732	227,016
Family Planning	342,321	302,061
MAI Linkage	9,715	-
Ryan White Part A Case Management	38,300	41,482
Ryan White Part A Drug Reimbursement	46,942	24,258
Ryan White Part A Specialty Medicine	176,172	109,172
Ryan White Part B Case Management	101,877	87,218
Ryan White Part B Specialty Medicine	5,872	2,668
Ryan White Part B Outreach	13,065	9,676
Regional Implementation	42,720	-
HIV ER Relief (Linkage to Care)	10,744	-
ILTREC Core	155,222	-
ILTREC Technical Assistance	141,100	-
ILTREC Supplemental	24,000	-
Ryan White Part A Laboratory	-	17,231
Ryan White Part A Psychotropic	-	800
Healthcare Network Grant	-	34,500
Teen Pregnancy Prevention	2,537	19,745
BCCP	35,252	46,081
Wise Woman	4,856	-
Total federal funds	\$ 12,869,541	\$ 11,856,961
State Funds		
Family Planning Grant	29,000	31,887
Healthcare Network Grant	120,828	68,795
Downstate Healthworks	42,488	-
Venice and Madison	78,750	224,740
Belleville Health Center	78,750	78,750
Start Now Communities of Color	21,871	2,171
Genetics	9,611	12,534
Jail Project	19,150	8,410
PBM Settlement	130,611	69,389
Health Information Exchange	129,056	47,506

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STATEMENTS OF ACTIVITIES
(continued)
Years Ended December 31, 2010 and 2009

	2010	2009
UNRESTRICTED NET ASSETS (continued)		
Support (continued)		
State Funds (continued)		
Violent Crime Victims	14,204	27,655
VOCA	19,470	34,359
IDPH General Revenue	-	80,024
Vaccine Storage Capacity	-	700
	<hr/>	<hr/>
Total state funds	693,789	686,920
Other grants		
Stand Against Cancer	17,920	2,280
Susan G. Komen for the Cure	154,505	139,535
Moving Families Forward (FACTS)	32,668	35,200
Integrated Dental	45,000	-
HSHS Case Management	4,932	-
Kresge Grant	75,000	-
SIU Violent Crimes Assistance	3,000	-
Empowerment Zone	9,000	-
Avon Foundation Grant	35,000	35,000
IL Children's Healthcare Foundation	107,899	137,607
SIU Residency Program Grant	-	29,895
Regional Implementation Grant	-	53,000
SIU CMRN Grant	-	4,500
SIU RPBRN	-	20,122
	<hr/>	<hr/>
Total other grants	484,924	457,139
Total support	14,048,254	13,001,020
Patient services	49,587,531	43,777,085
Plus (less) disallowances, reductions, contractual allowances and sliding fee adjustment	<hr/> (15,201,955) <hr/>	<hr/> (10,225,234) <hr/>
Net patient services	34,385,576	33,551,851
Interest income	9,448	17,065
Other support	<hr/> 1,082,470 <hr/>	<hr/> 1,036,561 <hr/>
Total unrestricted support and patient services	49,525,748	47,606,497

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STATEMENTS OF ACTIVITIES
(continued)
Years Ended December 31, 2010 and 2009

	2010	2009
UNRESTRICTED NET ASSETS (continued)		
Expenses		
Program services	43,224,745	40,823,713
Supporting services	<u>8,007,621</u>	<u>6,498,492</u>
Total expenses	<u>51,232,366</u>	<u>47,322,205</u>
Increase (decrease) in net assets before capital improvement grant	(1,706,618)	284,292
Capital improvement grant income		
Federal funds		
Capital Improvement Program	1,638,700	26,775
Affordable Care Act	<u>422,361</u>	<u>-</u>
Total capital improvement grant income	<u>2,061,061</u>	<u>26,775</u>
Increase in net assets	354,443	311,067
Net assets, beginning of year	<u>9,004,455</u>	<u>8,693,388</u>
NET ASSETS, END OF YEAR	<u><u>\$ 9,358,898</u></u>	<u><u>\$ 9,004,455</u></u>

The accompanying notes are an integral part of these financial statements.

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 354,443	\$ 311,067
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	\$ 638,233	\$ 608,655
Provision for losses on accounts receivable	(504,314)	(407,840)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(888,941)	1,447,154
Accrued interest receivable	(157)	20,038
Security deposit	-	(1,000)
Employee advance receivable	(368)	-
Prepaid expense	22,565	867,406
Unexpired insurance	(9,057)	(3,911)
Increase (decrease) in liabilities		
Accounts payable	784,445	319,940
Accrued payroll	125,408	(898,441)
Accrued compensated absences	196,228	116,566
Deposits held	152,000	156,000
Deferred revenue	16,953	(21,283)
Total adjustments	532,995	2,203,284
Net cash provided by operating activities	887,438	2,514,351
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,365,570)	(415,496)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line-of-credit	2,000,000	-
Payments on line-of-credit	-	(1,112,021)
Payments on notes	(60,982)	(56,902)
Payments on loans	(142,451)	(124,640)
Net cash provided (used) by financing activities	1,796,567	(1,293,563)

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STATEMENTS OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
(continued)
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net increase in cash and cash equivalents	318,435	805,292
Cash and cash equivalents, beginning of year	<u>4,012,433</u>	<u>3,207,141</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,330,868</u>	<u>\$ 4,012,433</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for Interest	<u>\$ 162,387</u>	<u>\$ 150,771</u>
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment with debt	<u>\$ -</u>	<u>\$ 428,050</u>

The accompanying notes are an integral part of these financial statements.

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2010 and 2009

	2010		
	Program Services	Supporting Services	Total
Personnel	\$ 27,403,240	\$ 4,162,162	\$ 31,565,402
Fringe benefits	4,544,003	844,553	5,388,556
Continuing education	318,833	10,383	329,216
Consultant services	402,457	-	402,457
Laboratory services	636,967	2,846	639,813
Professional fees	644,501	1,528,208	2,172,709
Temporary help	10,799	440	11,239
Registration and member fees	70,267	128,302	198,569
Advertising and promotion	113,864	68,476	182,340
Publications and subscriptions	121	993	1,114
Utilities	403,326	-	403,326
Rental expense	1,727,568	3,540	1,731,108
Insurance	197,660	24,241	221,901
Telephone	696,713	25,405	722,118
Postage and freight	12,939	135,900	148,839
Maintenance and repairs	669,767	-	669,767
Pharmaceuticals	691,929	176,776	868,705
Medical supplies	554,959	1,130	556,089
Office supplies	398,324	241,990	640,314
Dental supplies	154,766	-	154,766
Printing	89,691	81,511	171,202
Travel	173,400	302,920	476,320
Depreciation	638,233	-	638,233
Interest expense	161,009	1,378	162,387
Bad debt expense	2,025,693	-	2,025,693
Donations	-	1,865	1,865
Real estate taxes	-	96,085	96,085
Employee functions	-	47,943	47,943
Reimbursements	202,439	-	202,439
Miscellaneous expense	281,277	120,574	401,851
TOTALS	<u>\$ 43,224,745</u>	<u>\$ 8,007,621</u>	<u>\$ 51,232,366</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT D

2009		
Program Services	Supporting Services	Total
\$ 26,042,762	\$ 3,906,568	\$ 29,949,330
4,129,079	789,624	4,918,703
336,842	15,029	351,871
548,562	-	548,562
536,459	2,246	538,705
497,816	462,614	960,430
33,429	12,087	45,516
68,976	109,859	178,835
73,588	86,597	160,185
201	1,559	1,760
384,081	-	384,081
1,642,223	-	1,642,223
167,546	21,577	189,123
520,627	27,297	547,924
13,922	167,157	181,079
786,395	-	786,395
581,731	178,752	760,483
584,286	1,133	585,419
524,494	209,270	733,764
120,712	-	120,712
124,423	73,391	197,814
227,190	282,265	509,455
608,655	-	608,655
148,984	1,787	150,771
1,640,754	-	1,640,754
-	2,000	2,000
1,695	78,935	80,630
-	7,204	7,204
191,978	-	191,978
286,303	61,541	347,844
<u>\$ 40,823,713</u>	<u>\$ 6,498,492</u>	<u>\$ 47,322,205</u>

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Note 1: Summary of Significant Accounting Policies

The Southern Illinois Healthcare Foundation, Inc., Federally Qualified Health Center's (FQHC), financial statements presented herein separately identifies FQHC activities. The FQHC is a private, non-profit organization dedicated to providing comprehensive primary health care services to residents of St. Clair, Madison, Fayette, Cumberland, Effingham and Marion counties in Illinois.

The FQHC is governed by a volunteer Board of Trustees, a group of local residents who lend their expertise in the areas of law, business, health care administration and as consumers. The Board also takes an active role in establishing the fee schedule and other policies used to manage the Center.

In addition to income generated from patient revenue, the FQHC is partially funded by grants from the Department of Health and Human Services, Illinois Department of Health and other agencies.

Basis of Presentation and Contributions

Net assets of the FQHC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the FQHC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Patients' Accounts Receivable - Allowance for Bad Debt

The patients' accounts receivable represents the unpaid charges for services rendered. The allowance for bad debt amount for the prior years includes all receivables over 120 days old (except Medicaid and Medicare reimbursable) and 25% of the remaining accounts receivable balance after bad debt reduction.

In 2010 SIHF hired a consulting firm to do a study of revenue collections by financial classes. The purpose of the study was to determine if the current method of writing off bad debts was still realistic. Results of the study indicated that the portion of accounts receivables that are uncollectible varies by the financial class of the receivable. The consulting firm determined that percentages presented in the table

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NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 1: Summary of Significant Accounting Policies (continued)

Patients' Accounts Receivable - Allowance for Bad Debt (continued)

below are more appropriate in determining the actual allowance for bad debt amount. The results of the study were presented to the Board of Directors who approved the change in the method of calculating the allowance for bad debt amount. The allowance for doubtful accounts for 2010 reflects these new percentages.

Financial Class	Uncollectible Percentage
Agreements	10.00%
Dental - Insurance	35.00%
Dental - Self-Pay	80.00%
Dental - Medicaid	10.00%
Dental - Medicaid Fee For Service	10.00%
General Assistance	10.00%
Medicaid	10.00%
Medicaid Fee For Service	10.00%
Medicare	20.00%
Medicare Fee For Service	15.00%
Private Insurance	35.00%
Self-Pay	80.00%
Workers Compensation	35.00%

If the new uncollectible percentage were used to prepare the 2009 financial statements, the allowance for doubtful accounts would be reduced from \$2,719,821 to \$1,859,861 and the increase in net assets on the Statement of Activities would increase from \$311,067 to \$1,171,027 for an increase of \$859,960. The ending net assets would be increased to \$9,864,415.

Patient account balances that are \$20 or less and 180 days old or older are automatically written off.

Patient account balances that are \$21 or more and 180 days old or older are given an additional 90 days. Between 180 days and 270 days, the FQHC will send the patient 3 monthly statements (1 per month). If, during this time, the FQHC does not receive a payment from the patient or some form of correspondence then the FQHC sends a letter stating the consequences of nonpayment. If no correspondence or payment is received after the letter, the account is turned over to the collection agency. At this time, the account is written off as a bad debt and the FQHC will no longer accept payment directly from the patient. The patient must submit payment to the collection agency.

Property and Equipment

Property and equipment with a cost of \$2,500 or more are presented at cost and depreciated using the straight-line method. Depreciation is calculated on 20 years useful life for all buildings and 10 years useful life for furniture and equipment. Donated assets are valued on the date of donation.

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NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 1: Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees can accumulate hours based upon unused annual vacation benefit and one-fourth of unused sick days. As of December 31, 2010 and 2009 this balance was computed at the current hourly rate per employee.

Tax Status

The FQHC is exempt from income taxes under Internal Revenue Code Section 501(c)(3) according to a determination letter dated May 6, 1986.

Concentration of Accounts Receivable

At December 31, 2010 the FQHC has concentrations in the accounts receivable balance of \$7,284,292 which includes \$3,114,059 representing amounts owed from the State of Illinois Medicaid program.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Charity Care

If patients are not covered by some type of aid or third-party coverage, the FQHC classifies these individuals as "self-pay". Based on their income and family size, the FQHC determines if the individual is eligible to receive a sliding fee.

Note 2: Retirement Plan

In a prior year the FQHC implemented a defined contribution pension plan. For the years ended December 31, 2010 and 2009 the Foundation contributions totaled \$765,543 and \$731,986, respectively. The plan is available to any full-time or part-time employee after a half year of employment. For eligible participating employees who have completed one year of service, the FQHC matches up to 4% of their salary.

Note 3: Grants

The FQHC received various grants as detailed in Schedule 1.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 4: Related Parties

Touchette Regional Hospital

Effective May 1, 1993 the FQHC Board of Directors became the sole corporate member of the corporation known as Touchette Regional Hospital (TRH) as provided in the TRH Bylaws. Southern Illinois Healthcare Foundation (SIHF) and Touchette Regional Hospital are separate legal entities, however, the SIHF Board of Directors, as sole member, reserves certain high-level approval rights over TRH.

The FQHC and Touchette Regional Hospital maintain several agreements where the FQHC performs certain services for TRH. For the years 2010 and 2009 the FQHC received \$439,250 and \$396,905, respectively, and had a current receivable of \$16,759 and \$77,130, respectively, from TRH for services performed.

The FQHC utilizes the services of certain TRH services/personnel. For the years 2010 and 2009 the FQHC reimbursed TRH \$2,337,367 and \$2,167,518, respectively, for those services. Included in accounts payable at December 31, 2010 and 2009 are \$621,006 and \$265,295, respectively, which represents amounts owed to TRH.

During the year ended December 31, 2009 Kenneth Hall Regional Hospital combined into Touchette Regional Hospital

The FQHC and TRH are presently in a joint venture used to promote marketing activities.

Note 5: Long-Term Debt

The following is an analysis of loans payable at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Loan payable to a bank with interest at 6.00%, final payment due June 2012, monthly payments of \$14,277.14 collateralized by building at 6000 Bond Avenue, East St. Louis, Illinois, equipment and accounts receivable.	\$ 917,245	\$1,029,092
Loan payable to a bank with interest at 4.280%, monthly payments of \$2,667.75 collateralized by building at 1275 Hawthorne Drive, Salem, Illinois. A final payment estimated at \$338,588 is due October 19, 2013.	383,255	395,202
Loan payable to a bank with interest at 6.00%, monthly payments of \$2,453.13 collateralized by building at 2900 Frank Scott Parkway West, Belleville, Illinois. A final payment estimated at \$312,888 is due November 16, 2012.	330,248	339,297

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NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 5: Long-Term Debt (continued)

	<u>2010</u>	<u>2009</u>
Loan payable to a bank with interest at 4.220%, monthly payments of \$2,322.00 collateralized by building at 7210 West Main Street, Belleville, Illinois. A final payment estimated at \$294,766 is due on December 3, 2013.	336,113 <u>1,966,861</u>	345,721 <u>2,109,312</u>
Less current portion	<u>159,496</u>	<u>862,904</u>
Long-term liabilities	<u><u>\$ 1,807,365</u></u>	<u><u>\$ 1,246,408</u></u>

Maturities of long-term loans payable as of December 31, 2010 and 2009:

Year Ending December 31,	<u>2010</u>	<u>2009</u>
2010	\$ -	\$ 862,904
2011	159,496	129,505
2012	1,149,281	1,116,903
2013	658,084	-
	<u><u>\$ 1,966,861</u></u>	<u><u>\$ 2,109,312</u></u>

Notes Payable

The following is an analysis of notes payable at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Note payable to medical office lessor with interest at 6.5%, final payment due July 2012, monthly payments of \$3,564.72.	\$ 57,263	\$ 94,976
Note payable to medical office lessor with interest at 8.5%, final payment due January 2014, monthly payments of \$1,805.26.	57,198	73,251
Note payable to medical office lessor with interest at 6.0%, final payment due August 2012, yearly payments of \$8,594.00.	15,758 <u>130,219</u>	22,974 <u>191,201</u>
Less current portion	<u>65,237</u>	<u>60,869</u>
Long-term liabilities	<u><u>\$ 64,982</u></u>	<u><u>\$ 130,332</u></u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 5: Long-Term Debt (continued)

Notes Payable (continued)

Maturities of long-term notes payable as of December 31, 2010 and 2009:

Year Ending December 31,	2010	2009
2010	\$ -	\$ 60,869
2011	65,237	65,237
2012	44,015	44,015
2013	20,551	20,551
2014	416	529
2015	-	-
	<u>\$ 130,219</u>	<u>\$ 191,201</u>

SIHF has a line-of-credit with one bank in the amount of \$4,000,000. This line-of-credit is renewed each year in November. The present interest rate is prime plus 3.5%. The line-of-credit is secured by a lien on accounts receivable. The outstanding balance at December 31, 2010 and 2009 was \$2,000,000 and \$-0-, respectively.

Note 6: Operating Leases

The FQHC has operating leases for office equipment. For the years ended December 31, 2010 and 2009 the FQHC paid \$226,137 and \$205,252, respectively, under operating lease agreements for office equipment. Future minimum lease payments under these leases are as follows:

Year Ending December 31,	2010	2009
2010	\$ -	\$ 171,519
2011	136,562	127,673
2012	136,562	77,875
2013	117,141	76,513
2014	103,468	72,605
2015	-	-
	<u>\$ 493,733</u>	<u>\$ 526,185</u>

The FQHC leases office space under various operating leases that expire at various dates through December 14, 2016.

The following is a schedule of future minimum lease payments as of December 31, 2010 and 2009:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 6: Operating Leases (continued)

Year Ending December 31,	2010	2009
2010	\$ -	\$ 1,449,956
2011	1,388,702	641,524
2012	676,258	546,740
2013	536,130	447,958
2014	397,944	316,860
2015	361,944	313,860
Thereafter	363,144	313,860
	<u>\$ 3,724,122</u>	<u>\$ 4,030,758</u>

The FQHC also leases other office spaces that are on a month-to-month basis. For those leases there are no future minimum lease payments.

For the years ended December 31, 2010 and 2009 the FQHC paid \$1,504,971 and \$1,436,971, respectively, for the rental of office space.

Note 7: Advertising

Advertising costs are charged to operations when incurred. FQHC incurred advertising costs of \$182,340 and \$160,185 for the years ended December 31, 2010 and 2009, respectively.

Note 8: Fund Raising Expenses

For the years ended December 31, 2010 and 2009 the Foundation had no fund raising costs.

Note 9: Concentrations

At December 31, 2010 the FQHC had \$4,907,816 on deposit at four banks, of which \$1,140,745 was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining \$3,767,071 was covered by collateral pledged by the financial institution.

Note 10: Southern Illinois Healthcare Foundation Employee Health Plan

Effective April 1, 2006 SIHF began a self-pay health insurance program with its controlled affiliate TRH included. The objectives are to reduce costs to both the employer and employee and also try to generate more income by offering incentives to go to doctors within the SIHF and TRH network. For the period through December 31, 2010 and 2009 the Foundation contributed \$2,312,170 and \$1,988,141, respectively.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2010

Note 11: Medical Practice

SIHF acquired a medical practice during 2008. Upon purchase SIHF paid the medical provider \$168,065 for goodwill, patient list, telephone and fax numbers, yellow pages ad and phone listing. Impairment losses are to be recorded when indicators of impairment are present and the carrying amount of a long-term asset exceeds its fair value. In addition, useful lives of long-lived assets such as goodwill are to be reviewed annually. At December 31, 2010 SIHF did not have any indicators of impairment.

Note 12: Date of Management Evaluation

Management has evaluated subsequent events through April 11, 2011, the date on which the financial statements were available to be issued.

Note 13: Income Taxes

SIHF's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2010 the following tax years are subject to examination:

<u>Jurisdiction</u>	<u>Open Years For Filed Returns</u>	<u>Return to be Filed in 2011</u>
Federal	2007-2009	2010
Illinois	2007-2009	2010

Note 14: Litigation

In the normal course of business SIHF is a defendant in various litigation, which covers a number of matters. Management believes that the resolution of these matters will not have a material effect on the Foundation's statements of financial position or statements of activities.

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

SUMMARY OF GRANTS

Year Ended December 31, 2010

	<u>Period</u>
Federal	
Community Health Center, Section 330	01/01/10-12/31/10
Healthy Start	06/01/09-05/31/10
Healthy Start	06/01/10-05/31/11
Title III - Early Intervention	07/01/09-06/30/10
Title III - Early Intervention	07/01/10-06/30/11
Increase Services to Health Centers	03/27/09-03/26/11
Family Planning	07/01/09-06/30/10
Family Planning	07/01/10-06/30/11
Male Involvement	07/01/10-06/30/11
MAI Linkage	06/01/10-03/31/11
Ryan White Part A Case Management	03/01/09-02/28/10
Ryan White Part A Case Management	03/01/10-02/28/11
Ryan White Part A Drug Reimbursement	03/01/09-02/28/10
Ryan White Part A Drug Reimbursement	03/01/10-02/28/11
Ryan White Part A Specialty Medicine Diagnostic Service	03/01/09-02/28/10
Ryan White Part A Specialty Medicine Diagnostic Service	03/01/10-02/28/11
Ryan White Part B Case Management	04/01/09-03/31/10
Ryan White Part B Case Management	04/01/10-03/31/11
Ryan White Part B Specialty Medicine Diagnostic Service	04/01/09-03/31/10
Ryan White Part B Specialty Medicine Diagnostic Service	04/01/10-03/31/11
Ryan White Part B Outreach	04/01/09-03/31/10
Ryan White Part B Outreach	04/01/10-03/31/11
Regional Implementation	01/01/10-12/31/10
HIV ER Relief Project (Linkage to Care)	08/01/10-02/28/11
ILTREC Core	02/08/10-02/07/12
ILTREC Technical Assistance	02/08/10-02/07/12
ILTREC Supplemental	02/08/10-02/07/12
BCCP	07/01/09-06/30/10
BCCP	07/01/10-06/30/11
Wise Woman	07/01/09-06/30/10
Teen Pregnancy	07/01/09-06/30/10
Noncash - Title X Family Planning	

(continued on next page)

SCHEDULE 1

Award Amount	Earned	12/31/10 Deferred Revenue	12/31/10 Receivable
\$ 9,715,790	\$ 9,715,790	\$ -	\$ -
900,000	373,460	-	-
900,000	482,121	-	32,122
590,738	300,656	-	-
590,738	257,087	-	2,087
884,565	589,732	-	46,748
438,000	182,804	-	67,517
275,400	159,517	-	-
117,499	-	39,300	-
30,000	9,715	-	1,748
38,624	5,880	-	-
36,500	32,420	-	4,681
31,199	5,757	-	-
41,185	41,185	-	21,225
138,678	29,506	-	-
164,743	146,666	-	35,951
95,136	17,748	-	-
133,500	84,129	-	30,370
2,500	872	-	-
5,000	5,000	-	48
19,087	9,411	-	-
10,900	3,654	-	192
42,720	42,720	-	9,486
20,875	10,744	-	10,744
1,009,210	155,222	-	54,564
	141,100	-	134,500
382,800	24,000	-	-
Based on Service	20,885	-	-
Based on Service	14,367	-	-
Based on Service	4,856	-	-
17,000	2,537	-	-
	<u>12,869,541</u>		
	-		
	<u>12,869,541</u>		

SUMMARY OF GRANTS
(continued)
Year Ended December 31, 2010

	<u>Period</u>
Federal Construction	
Capital Improvement Program	06/29/09-06/28/11
Affordable Care Act	10/01/10-09/30/12
State	
Family Planning	07/01/09-06/30/10
Healthworks	07/01/09-06/30/10
Healthworks	07/01/10-09/30/10
DCFS Downstate Healthworks	10/01/10-06/30/11
Venice & Madison	07/01/09-06/30/10
Belleville Family Health Center	07/01/09-06/30/10
Start Now Communities of Color	12/01/09-06/30/10
Genetics	07/01/09-06/30/10
Genetics	07/01/10-06/30/11
Jail Project	01/01/10-06/30/10
PBM Settlement	07/01/09-06/30/12
Health Information Exchange	06/25/09-06/24/10
Victims of Violent Crimes	07/01/09-06/30/10
Victims of Violent Crimes	07/01/10-06/30/11
VOCA	10/01/09-09/30/10
VOCA	10/01/10-09/30/11
Other	
Stand Against Cancer	07/01/09-06/30/10
Stand Against Cancer	07/01/10-06/30/11
Susan G. Komen For The Cure	04/01/10-03/31/11
Moving Families Forward	10/01/09-09/30/10
Moving Families Forward (FACTS)	10/01/10-09/30/11
Integrated Dental	10/01/10-09/30/11
HSHS Case Management Services	11/01/10-10/31/11
Kresge Grant	01/01/10-09/30/10
SIU Violent Crimes Assistance (CMRN)	07/01/09-06/30/10
SIU Violent Crimes Assistance (CMRN)	07/01/10-06/30/11
Empowerment Zone	03/01/10-06/30/10
Avon Foundation Breast Care	01/01/10-12/31/10
Expanding Access to Oral Care	10/01/10-06/30/12
IL Children's Healthcare Foundation - Touchette Hospital	10/01/09-12/31/10
IL Children's Healthcare Foundation - Effingham Dental	01/01/09-03/31/10

TOTAL

SCHEDULE 1

Page 2

Award Amount	Earned	12/31/10 Deferred Revenue	12/31/10 Receivable
2,500,000	1,638,700	-	342,476
10,324,862	422,361	-	211,361
	<u>2,061,061</u>		
438,000	29,000	-	-
147,560	84,329	-	-
36,499	36,499	-	36,499
116,063	42,488	-	42,488
157,500	78,750	-	-
157,500	78,750	-	-
25,000	21,871	-	-
10,500	4,198	-	-
10,500	5,413	-	5,413
19,150	19,150	-	-
200,000	130,611	-	-
176,563	129,056	-	-
20,000	5,243	-	-
20,000	8,961	540	-
32,441	17,946	-	-
33,112	1,524	-	1,524
	<u>693,789</u>		
30,000	10,720	-	-
Unknown	7,200	-	7,200
154,505	154,505	-	-
34,500	24,516	-	-
34,500	8,152	-	5,816
64,000	45,000	19,000	-
100,000	4,932	95,068	-
75,000	75,000	-	-
3,000	1,500	-	-
3,000	1,500	-	750
9,000	9,000	-	-
35,000	35,000	-	-
400,000	-	100,000	-
39,195	38,663	-	-
206,311	69,236	-	-
	<u>484,924</u>		
	<u>\$ 16,109,315</u>	<u>\$ 253,908</u>	<u>\$ 1,105,510</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

Grantor and Program Title		Federal CFDA Number	Project or Grant Number	Award Period
Cash Federal Financial Assistance				
<u>U. S. Department of Health and Human Services</u>				
Direct programs:				
Consolidated Health Centers				
(M)	Community Health Center, Section 330	93.224	6H80CS00195-09-09	01/01/10-12/31/10
Total for CFDA #93.224				
(M)	Healthy Start Initiative	93.926	2H49MC00049-09-00	06/01/09-05/31/10
(M)	Healthy Start Initiative	93.926	5H49MC00049-10-00	06/01/10-05/31/11
Total for CFDA #93.926				
(M)	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	5H76HA00579-09-00	07/01/08-06/30/09
(M)	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	5H76HA00579-11-00	07/01/10-06/30/11
Total for CFDA #93.918				
(M)	ARRA - Capital Improvement Program	93.703	1C81CS13475-1-00	06/29/09-06/28/11
(M)	ARRA - Increase Services to Health Centers	93.703	6H8BCS12132-01-01	03/27/09-03/26/11
Total for CFDA #93.703				
(NON)	Affordable Care Act	93.526	1C8ACS21285-01-00	10/01/10-09/30/12
Total for CFDA #93.526				
Total direct programs				

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

<u>Grant Amount</u>	<u>Revenue Earned 2009</u>	<u>Revenue Earned 2010</u>	<u>Expenses 2009</u>	<u>Expenses 2010</u>	<u>Comment</u>
\$ 9,715,790	\$ -	\$ 9,715,790	\$ -	\$ 9,715,790	
	-	9,715,790	-	9,715,790	
900,000	526,540	373,460	526,540	373,460	
900,000	-	482,121	-	482,121	
	526,540	855,581	526,540	855,581	
590,738	290,082	300,656	290,082	300,656	
590,738	-	257,087	-	257,087	
	290,082	557,743	290,082	557,743	
2,500,000	26,775	1,638,700	26,775	1,638,700	
884,565	227,016	589,732	227,016	589,732	
	253,791	2,228,432	253,791	2,228,432	
10,324,862	-	422,361	-	422,361	
	-	422,361	-	422,361	
	1,070,413	13,779,907	1,070,413	13,779,907	

(continued on next page)

Grantor and Program Title		Federal CFDA Number	Project or Grant Number	Award Period
Cash Federal Financial Assistance (continued)				
<u>U. S. Department of Health and Human Services (continued)</u>				
Pass-through programs from:				
<u>State of Illinois Department of Human Services</u>				
(NON)	Social Services Block Grant (Family Planning)	93.217	11GL468000	07/01/09-06/30/10
(NON)	Social Services Block Grant (Family Planning)	93.217	11GM468000	07/01/10-06/30/11
Total for CFDA #93.217				
(NON)	Social Services Block Grant (Family Planning)	93.667	11GL468000	07/01/09-06/30/10
(NON)	Social Services Block Grant (Family Planning)	93.667	11GM468000	07/01/10-06/30/11
Total for CFDA #93.667				
<u>IL Public Health Association</u>				
(NON)	Regional Implementation Grant	93.994	FY 10 1075406	01/01/10-12/31/10
<u>St. Clair County Health Department</u>				
(NON)	Maternal and Child Health Services Block Grant to the States (Teen Pregnancy Prevention)	93.994	FY 10	07/01/09-06/30/10
Total for CFDA #93.994				
<u>St. Clair County Health Department</u>				
(NON)	Illinois Breast & Cervical Cancer	93.283	FY 10	07/01/09-06/30/10
(NON)	Illinois Breast & Cervical Cancer	93.283	FY 11	07/01/10-06/30/11
(NON)	Wise Woman	93.283	FY 11	07/01/10-06/30/11
Total for CFDA #93.283				

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)
Year Ended December 31, 2010

<u>Grant Amount</u>	<u>Revenue Earned 2009</u>	<u>Revenue Earned 2010</u>	<u>Expenses 2009</u>	<u>Expenses 2010</u>	<u>Comment</u>
438,800	201,945	58,004	201,945	58,004	Grant reimburses patient services provided
275,400	-	139,080	-	139,080	
	201,945	197,084	201,945	197,084	
-	-	124,800	-	124,800	
-	-	20,437	-	20,437	
	-	145,237	-	145,237	
42,720	-	42,720	-	42,720	
17,000	14,463	2,537	14,463	2,537	
	14,463	45,257	14,463	45,257	
Service Based	-	20,885	-	20,885	
Service Based	-	14,367	-	14,367	
Service Based	-	4,856	-	4,856	
	-	40,108	-	40,108	

(continued on next page)

Grantor and Program Title		Federal CFDA Number	Project or Grant Number	Award Period
Cash Federal Financial Assistance (continued)				
<u>U. S. Department of Health and Human Services (continued)</u>				
Pass-through programs from (continued):				
<u>St. Clair County Health Department</u>				
(NON)	Ryan White Part B Case Management	93.917	FY 09	04/01/09-03/31/10
(NON)	Ryan White Part B Case Management	93.917	FY 10	04/01/10-03/31/11
(NON)	Ryan White Part B Specialty Medical	93.917	FY 09	04/01/09-03/31/10
(NON)	Ryan White Part B Specialty Medical	93.917	FY 10	04/01/10-03/31/11
(NON)	Ryan White Part B Outreach	93.917	FY 09	04/01/09-03/31/10
(NON)	Ryan White Part B Outreach	93.917	FY 10	04/01/10-03/31/11
<u>IL Dept of Public Health</u>				
(NON)	Minority Aids Initiative	93.917	FY 11 00180158	06/01/10-03/31/11
Total for CFDA #93.917				
<u>St. Clair County Health Department</u>				
(NON)	HIV Care Consortium Ryan White CARE Services - Part A	93.914	FY 09	03/01/09-02/28/10
(NON)	HIV Care Consortium Ryan White Care Services - Part A	93.914	FY 10	03/01/10-02/28/11
(NON)	Ryan White Part A - Specialty Medical Diagnostic Services	93.914	FY 09	03/01/09-02/28/10
(NON)	Ryan White Part A - Specialty Medical Diagnostic Services	93.914	FY 10	03/01/10-02/28/11
(NON)	Ryan White Part A Drug Reimbursement	93.914	FY 09	03/01/09-02/28/10
(NON)	Ryan White Part A Drug Reimbursement	93.914	FY 10	03/01/10-02/28/10
<u>City of St. Louis Department of Public Health</u>				
(NON)	Linkage to Care STL	93.914	FY 11 11-08	08/01/10-02/28/11
Total for CFDA #93.914				

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)
Year Ended December 31, 2010

<u>Grant Amount</u>	<u>Revenue Earned 2009</u>	<u>Revenue Earned 2010</u>	<u>Expenses 2009</u>	<u>Expenses 2010</u>	<u>Comment</u>
95,136	72,942	17,748	72,942	17,748	
133,500	-	84,129	-	84,129	
3,540	2,668	872	2,668	872	
5,000	-	5,000	-	5,000	
19,087	9,676	9,411	9,676	9,411	
10,900	-	3,654	-	3,654	
30,000	<u>-</u>	<u>9,715</u>	<u>-</u>	<u>9,715</u>	
	<u>85,286</u>	<u>130,529</u>	<u>85,286</u>	<u>130,529</u>	
38,624	29,642	5,880	29,642	5,880	
36,500	-	32,420	-	32,420	
138,678	109,172	29,506	109,172	29,506	
164,743	-	146,666	-	146,666	
31,199	24,258	5,757	24,258	5,757	
41,185	-	41,185	-	41,185	
20,875	<u>-</u>	<u>10,744</u>	<u>-</u>	<u>10,744</u>	
	<u>163,072</u>	<u>272,158</u>	<u>163,072</u>	<u>272,158</u>	

(continued on next page)

Grantor and Program Title		Federal CFDA Number	Project or Grant Number		Award Period
Cash Federal Financial Assistance (continued)					
<u>U. S. Department of Health and Human Services (continued)</u>					
Pass-through programs from (continued):					
<u>Northern Illinois University</u>					
(NON)	ILTREC Core	93.718	FY 12	90RC0023101	02/08/10-02/07/12
(NON)	ILTREC Technical Assistance	93.718	FY 12	90RC0023101	02/08/10-02/07/12
(NON)	ILTREC Supplemental	93.718	FY 12	90RC0023101	02/08/10-02/07-12
Total for CFDA #93.718					
Total pass-through programs					
Total U. S. Department of Health and Human Services					
TOTAL FEDERAL FINANCIAL ASSISTANCE					

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)
Year Ended December 31, 2010

<u>Grant Amount</u>	<u>Revenue Earned 2009</u>	<u>Revenue Earned 2010</u>	<u>Expenses 2009</u>	<u>Expenses 2010</u>	<u>Comment</u>
1,009,210	-	155,222	-	155,222	
Service Based	-	141,100	-	141,100	
Service Based	-	24,000	-	24,000	
	-	320,322	-	320,322	
	262,821	1,150,695	262,821	1,150,695	
	1,333,234	14,930,602	1,333,234	14,930,602	
	<u>\$1,333,234</u>	<u>\$ 14,930,602</u>	<u>\$ 1,333,234</u>	<u>\$ 14,930,602</u>	(M) Major program (NON) Nonmajor program

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2010

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of Southern Illinois Healthcare Foundation, Inc., Federally Qualified Health Center (FQHC), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Note 2: Grants

See grants as listed on Schedule of Expenditures of Federal Awards.

Note 3: Loans and Loan Guarantees

The FQHC has no federal loans or loan guarantees outstanding as of December 31, 2010.

Note 4: Noncash Assistance

The FQHC has received the following federal sponsored noncash assistance from the Illinois Department of Human Services:

Pharmaceutical supplies	<u>\$ -0-</u>
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Note 5: Subrecipients

Washington University in St. Louis, Missouri is a subrecipient of the Title III - Early Intervention grant. SIHF paid them \$202,439 during the year ending December 31, 2010.

Note 6: Federal Insurance

No federal insurance was in effect during the year.

April 11, 2011

Board of Directors
Southern Illinois Healthcare
Foundation, Inc.
St. Clair County, Illinois

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Southern Illinois Healthcare Foundation, Inc., Federally Qualified Health Center (FQHC) (a nonprofit organization), as of and for the year ended December 31, 2010, and have issued our report thereon dated April 11, 2011. Our report disclosed that the financial statements include only the financial activities of Southern Illinois Healthcare Foundation, Inc., FQHC and that the financial activities of the controlled affiliates are not included. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southern Illinois Healthcare Foundation, Inc., FQHC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Illinois Healthcare Foundation, Inc., FQHC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southern Illinois Healthcare Foundation, Inc., FQHC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Illinois Healthcare Foundation, Inc., FQHC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Southern Illinois Healthcare Foundation, Inc., FQHC in a separate letter dated April 11, 2011.

This report is intended solely for the information and use of management, others within the Foundation, the Board of Directors, Department of Health and Human Services, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Allison Knapp + Sickmann, LLC

April 11, 2011

Board of Directors
Southern Illinois Healthcare
Foundation, Inc.
St. Clair County, Illinois

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited Southern Illinois Healthcare Foundation, Inc., Federally Qualified Health Center's (FQHC) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Southern Illinois Healthcare Foundation's major federal programs for the year ended December 31, 2010. Southern Illinois Healthcare Foundation, Inc., FQHC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Illinois Healthcare Foundation, Inc., FQHC's management. Our responsibility is to express an opinion on Southern Illinois Healthcare Foundation, Inc., FQHC's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southern Illinois Healthcare Foundation, Inc., FQHC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Southern Illinois Healthcare Foundation, Inc., FQHC's compliance with those requirements.

In our opinion, Southern Illinois Healthcare Foundation, Inc., FQHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Southern Illinois Healthcare Foundation, Inc., FQHC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southern Illinois Healthcare Foundation, Inc., FQHC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southern Illinois Healthcare Foundation, Inc., FQHC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Foundation, the Board of Directors, Department of Health and Human Services, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Allison Knapp + Siehmann, Ltd.

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

Section I - Summary of Auditor's Results

1. We have audited the financial statements of Southern Illinois Healthcare Foundation, Inc., Federally Qualified Health Center (FQHC), which excludes a controlled affiliate, as of and for the year ended December 31, 2010. Southern Illinois Healthcare Foundation, Inc., FQHC's policy is to prepare its financial statements under U. S. generally accepted accounting principles. The audit report expresses a qualified opinion on the financial statements of Southern Illinois Healthcare Foundation, Inc., FQHC, which excludes a controlled affiliate.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. The Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards disclosed no instances of noncompliance.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. We have audited the compliance of Southern Illinois Healthcare Foundation, Inc., FQHC, with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010, and issued our unqualified opinion thereon dated April 11, 2011.
6. Our audit did not disclose any findings which are required to be reported under Section 510(a) of OMB Circular A-133.
7. The following programs were identified as major programs in accordance with requirements described in Section 520 of the *U. S. Office of Management and Budget (OMB) Circular A-133*:

	<u>CFDA No.</u>
Consolidated Health Centers	93.224
Healthy Start	93.926
Early Intervention Services	93.918
ARRA - Capital Improvement Program	93.703
ARRA - Increase Services to Health Centers	93.703

8. The threshold for distinguishing type A and B programs was \$447,918.
9. The auditee did qualify as a low-risk auditee.
10. There were no federal award findings and questioned costs for the year ended December 31, 2010.

Southern Illinois Healthcare Foundation, Inc.,
Federally Qualified Health Center

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2010

There were no prior year audit findings.